

Naval Audit Service



Audit Report



Marine Corps Equipment Accountability

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N2011-0055

2 September 2011

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MEMORANDUM FOR COMMANDANT OF THE MARINE CORPS

Subj: MARINE CORPS EQUIPMENT ACCOUNTABILITY (AUDIT REPORT N2011-0055)

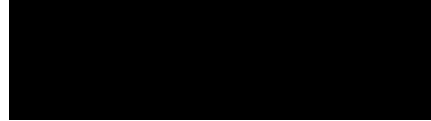
Ref: (a) NAVAUDSVC memo 7510, dated 10 June 2011
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

1. This report provides results of the subject audit announced in reference (a). Section A of this report provides our finds and recommendation, summarized management response, and our comment on the response. Section B provides the status of the recommendation. The full text of management response is included in the Appendix.
2. Commandant of the Marine Corps provided management responses and concurred with each of the recommendations and with the amount of \$4 million in funds potentially available for other use. Actions planned by Commandant of the Marine Corps meet the intent of the recommendations. The recommendations are considered open pending completion of the planned corrective action and are subject to monitoring in accordance with reference (b). Management should provide a written status report on the recommendations and the funds potentially available for other use within 30 days after target completion dates.
3. Please provide all correspondence to the Assistant Auditor General for Installations and Environment Audits, XXXXXXXXXXXXXXXXXXXXXXXXXXXX, with a copy to the Director, Policy and Oversight, XXXXXXXXXXXXXXXXXXXXXXXXXXXX. Please submit correspondence in electronic format (Microsoft Word or Adobe Acrobat file), and ensure that it is on letterhead and includes a scanned signature.
4. Any requests for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy as required by reference (b). This audit report is also subject to followup in accordance with reference (b).

FOIA (b)(6)

Subj: **MARINE CORPS EQUIPMENT ACCOUNTABILITY (AUDIT REPORT
N2011-0055)**

5. We appreciate the cooperation and courtesies extended to our auditors.



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Assistant Auditor General
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Table of Contents

EXECUTIVE SUMMARY	1
Overview	1
Reason for Audit.....	2
Conclusions	2
Federal Managers' Financial Integrity Act.....	3
Corrective Actions	3
 SECTION A: FINDINGS, RECOMMENDATIONS, AND CORRECTIVE ACTIONS	 5
Finding 1: Total Life Cycle Management	5
Synopsis	5
Discussion of Details	6
Background	6
Pertinent Guidance	7
Audit Results	8
Recommendations and Corrective Actions	18
 Finding 2: Processing of Change Requests	 23
Synopsis	23
Discussion of Details	23
Background	23
Pertinent Guidance	24
Audit Results	24
Recommendations and Corrective Actions	27
 SECTION B: STATUS OF RECOMMENDATIONS AND FUNDS POTENTIALLY AVAILABLE FOR OTHER USE	 29
 EXHIBIT A: BACKGROUND	 33
 EXHIBIT B: SCOPE AND METHODOLOGY	 36
 EXHIBIT C: ACTIVITIES VISITED AND/OR CONTACTED	 39
 APPENDIX: MANAGEMENT RESPONSE FROM THE MARINE CORPS	 40

Executive Summary

Overview

On 16 May 2008, the Commandant of the Marine Corps issued White Letter Number 03-08, which addressed equipment accountability. In the letter, the Commandant noted that, based upon reports by the Inspector General of the Marine Corps, equipment accountability must be improved to ensure that the Marine Corps can effectively meet ongoing and future mission requirements. The letter also noted that accurate equipment accountability ensures accurate readiness reporting, successful justification of resource requests to Congress, and a continued ability to provide well equipped forces to answer the nation's call. Additionally, the letter stated that equipment accountability is a war-fighting and readiness issue and must be a priority.

The Naval Audit Service has found problems with recordkeeping for Marine Corps equipment in the past. As reported in Naval Audit Service report N2011-0021, "Marine Corps Equipment Accountability at II Marine Expeditionary Force" (16 February 2011), we found that recordkeeping for equipment assigned to II Marine Expeditionary Force units needed improvement. Specifically, it was determined that the units did not always meet the Marine Corps Inspector General's goal of 100 percent inventory accuracy for Marine Corps Automated Readiness Evaluation System reportable and Stores Account Code 3 items. Nor did they meet the Department of Defense requirement of a minimum 98 percent physical inventory accuracy for all assets. Instead, it was noted that accurate records were not maintained for 43 (6 percent) of 711 assets assigned to the 24 units reviewed. These 43 errors were found in 13 (16 percent) of the 82 line items we examined and at 9 (38 percent) of the 24 units visited. Also, as reported in Naval Audit Service report N2011-0027, "Marine Corps Equipment Accountability at I Marine Expeditionary Force" (31 March 2011), it was determined that accurate records were not maintained for 51 (7 percent) out of 724 assets assigned to the 19 units we reviewed, and that those 51 errors were found in 19 (30 percent) of the 64 line items we examined and at 10 (53 percent) of the 19 units visited.

This audit focused on the processes pertaining to approved acquisition objective changes, procurement, and accountability over equipment within the Marine Corps. We conducted our audit between 7 January 2010 and 10 June 2011.

Reason for Audit

The audit objective was to verify that Marine Corps equipment was being efficiently and effectively managed, and to ensure that units in the field were accurately accounting for the equipment they had been assigned. This audit was initiated by the Auditor General of the Navy.

Conclusions

We determined that the Marine Corps total life cycle management process (defined as asset management of Principle End Items throughout their service life, from acquisition through disposal) needed improvement. Specifically, we found that not all critical assets purchased could be accounted for, and that purchases of some assets, in excess of the approved acquisition objective, were made. We believe that this occurred because:

- Marine Corps Systems Command program managers did not review authoritative systems in order to determine on-hand quantities at the unit level prior to making purchases, and operating units were not disposing of excess equipment (defined as quantities on-hand above the approved acquisition objective), as required;
- There was limited formal coordination among, and oversight of, the multiple commands that participated in the total life cycle management process; and
- The Marine Corps did not have “cradle to grave” (purchase through disposal) accountability for all of its assets.

As a result, the total life cycle management process did not provide the Marine Corps with assurance that it is purchasing, sustaining, disposing, and accounting for critical assets in an effective or efficient manner.

We also determined that the Marine Corps Combat Development Command (Combat Development and Integration) was not processing Table of Organization and Equipment Change Requests (hereafter referred to as change requests) in a timely manner. According to Marine Corps Order 5311.1D, “Total Force Structure Process,” dated 26 February 2009, a change request within the Total Force Structure Management System should not be in a “pending” status for more than 30 days to avoid possible conflict with other change requests associated with the same unit. However, we reviewed 31 critical Table of Authorized Materiel Control Numbers listed in the Total Force Structure Management System as of 15 December 2010, and found that 20 (65 percent) had a total of 54 change requests in a pending status as of that date. We also aged those change requests based upon number of days they were “pending” and found that 43 (80 percent) were in this status beyond 30 days, with 27 (50 percent) in excess of 6 months, and 10 (19 percent) over a year old. We believe that this primarily occurred

due to a lack of management emphasis and oversight concerning the change request process. As a result of not processing change requests in a timely manner, units in the field cannot effectively manage equipment excesses and shortages (defined as quantities on-hand that are above or below the amounts authorized, respectively). Furthermore, the Total Force Structure Management System, the authoritative data source for the approved acquisition objective, cannot be relied upon by Marine Corps personnel.

Communication with Management

Throughout the audit, we kept the Marine Corps informed of the conditions noted. Specifically, we briefed the Headquarters Marine Corps Deputy for Logistics, Policy and Capability on 28 October 2010. We briefed the Operations Officer and Approved Acquisition Objective Coordinator for Marine Corps Combat Development Command Combat Development and Integration (Total Force Structure Division) on 23 February 2011. Additionally, we briefed our results to Marine Corps Systems Command, Marine Corps Logistics Command, and Headquarters Marine Corps Deputy Logistics, Policy and Capability personnel on 17 May 2011.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982, as codified in Title 31, United States Code, requires each Federal agency head to annually certify the effectiveness of the agency's internal and accounting system controls. Recommendations 1-9 address issues related to the internal control over equipment accountability. In our opinion, the weaknesses noted in this report may warrant reporting in the Auditor General's annual Federal Managers' Financial Integrity Act memorandum identifying management control weaknesses to the Secretary of the Navy.

Corrective Actions

We recommended that the Commandant of the Marine Corps:

- Require Marine Corps Systems Command personnel to use authoritative data systems in order to determine on-hand quantities prior to making procurement decisions.
- Assign responsibility for “cradle to grave” (purchase through disposal) asset accountability to one of the multiple commands that participate in the total life cycle management process (defined as asset management of Principle End Items throughout their service life, from acquisition through disposal).
- Improve coordination and oversight among the multiple commands involved in the total life cycle management process.

- Direct Marine Corps Systems Command to limit the purchase of Materiel Control Number A25467 to the difference between the current on-hand inventory and the approved acquisition objective and use the resulting savings to purchase items that have lower on-hand quantities than their recorded approved acquisition objective.
- Direct Marine Corps Logistics Command to report monthly Principle End Item excesses (quantities on-hand that exceeded the approved acquisition objective by Marine Expeditionary Force) to Headquarters Marine Corps, Installations and Logistics.
- Require Headquarters Marine Corps, Installations and Logistics to review the monthly reports discussed in previous recommendation, and take the necessary corrective actions to ensure approved acquisition objectives are not exceeded.
- Direct Marine Corps Combat Development Command to reemphasize to their personnel the importance of processing change requests in a timely manner and to develop a plan for addressing those change requests that have been in a pending status in excess of 30 days.
- Require a periodic report from Marine Corps Combat Development Command be prepared for Headquarters Marine Corps, Installations and Logistics (with an aging schedule for Table of Organization and Equipment Change Requests in process) for all change requests related to ground equipment over 30 days in process.
- Require Headquarters Marine Corps, Installations and Logistics to review the monthly reports discussed in the previous recommendation, and take the necessary corrective actions to ensure Table of Organization and Equipment Change Requests related to ground equipment are completed or deleted after a timeframe the Commandant of the Marine Corps deems reasonable.

The Commandant of the Marine Corps provided management responses and concurred with each of the recommendations and with the amount of \$4 million in funds potentially available for other use. Actions planned by Commandant of the Marine Corps meet the intent of the recommendations, which are considered open pending completion of the planned corrective actions.

Section A:

Findings, Recommendations, and Corrective Actions

Finding 1: Total Life Cycle Management

Synopsis

The Marine Corps total life cycle management process (defined as asset management of Principle End Items throughout their service life, from acquisition through disposal) needed improvement. Specifically, we found that not all assets purchased could be accounted for, and that purchases of some assets, in excess of the approved acquisition objective, were made. We believe that this occurred because:

- Marine Corps Systems Command program managers did not review authoritative systems in order to determine on-hand quantities at the unit level prior to making purchases, and operating units were not disposing of excess equipment (defined as quantities on-hand above the approved acquisition objective), as required;
- There was limited formal coordination among, and oversight of, the multiple commands that participated in the total life cycle management process; and
- The Marine Corps did not have “cradle to grave” (purchase through disposal) accountability for all assets.

According to Marine Corps guidance, accountability is the obligation imposed by law, or lawful order, or regulation on an officer or other person for keeping accurate records of property, documents, or funds. The guidance also states that consumer-level supply accounts are not authorized to retain excess materiel. Additionally, it notes that within the Marine Corps, the approved acquisition objective is the quantity of an item authorized for peacetime and wartime requirements to equip and sustain the Marine Corps per current Department of Defense (DoD) policies and plans.

As a result, we found that the:

- Marine Corps exceeded its approved acquisition objective for 3 Table of Authorized Materiel Control Numbers (A80887 (encryption-decryption device), A80917 (encryption-decryption device), and A25467 (ruggedized laptop computer)) by 2,305 assets, valued at about \$9.4 million;

- Marine Corps can save approximately \$4 million by eliminating the purchase of 1,390 ruggedized laptop computers during Fiscal Year 2012 in excess of the approved acquisition objective;
- Marine Corps could not account for 173 Cougar Cat II/Mine Resistant Ambush Protected vehicles, collectively valued at approximately \$118 million;
- Authorized data source for the approved acquisition objective did not mirror quantities provided by personnel responsible for controlling the approved acquisition objectives for Table of Authorized Materiel Control Numbers A02387, A02397, and A02407 (spare maintenance kits for satellite-wide area networks); and
- The current total life cycle management environment did not provide the Marine Corps with assurance that it is purchasing, sustaining, disposing, and accounting for critical assets effectively and efficiently.

Discussion of Details

Background

Effective total life cycle management requires the integration and synchronization of multiple interrelated processes across the life cycle of ground weapon systems, equipment, and materiel. Total life cycle management will integrate the roles and responsibilities of all stakeholders involved throughout the life cycle, encompassing requirements development, acquisition, fielding, operations, sustainment (operator, intermediate, and depot levels) and disposal. Effective integration of roles and responsibilities, and the work activities they drive, is of paramount importance because it closes gaps across organizational boundaries and improves overall programmatic effectiveness and efficiency. In particular, successful integration will promote effective reconciliation and coordination among three front-end processes that greatly affect total life cycle management: requirements development, supported by the Expeditionary Force Development System; resourcing, supported by the Planning, Programming, Budgeting and Execution System; and acquisition, supported by the Defense Acquisition System. Total life cycle management will ultimately meet mission requirements through use of an integrated value stream with clear, aligned roles, responsibilities, and relationships. It is the Commandant of the Marine Corps's intent¹ that the integration of activities across the life cycle will:

- Field new and improved Marine Air-Ground Task Force capabilities;
- Maximize equipment readiness;

¹ Marine Corps Order 4000.57A, "Marine Corps Total Life Cycle Management."

- Assure with the highest probability of success that ground weapon systems, equipment, and materiel will be available for use when and where needed;
- Eliminate waste throughout the process;
- Allow better program planning for requirements development, acquisition, fielding, operation, sustainment, and disposal;
- Provide accurate equipment accounting and visibility through enhanced Marine Corps-wide asset management capability;
- Provide enhanced Marine Corps-wide sustainment capability;
- Provide visibility of total ownership cost (i.e. costs of acquisition, fielding, operation (e.g. fuel), sustainment (e.g. parts, labor and overhead), and disposal) for planning, programming, budgeting, and execution purposes;
- Provide capability for Marine Corps-wide supply chain management;
- Provide ability to assess and improve total life cycle management effectiveness by monitoring performance and identifying areas for improvement through the use of valid and reliable data; and
- Strengthen coordination with external agencies (e.g. Defense Logistics Agency and other support agencies).

Total life cycle management is accomplished by integrating the enterprise-level activities and interests of all stakeholders participating in the total life cycle of weapon systems and equipment. The criticality of efficient and effective total life cycle management is underscored by the many challenges intrinsic to melding inherently vertical processes across numerous, disparate organizations. Misaligned goals will always result in substandard outcomes. Successful integration of life cycle activities and processes, or effective total life cycle management, leads to: effective program planning for procurement, operation, sustainment, and disposal; unfettered total ownership cost visibility for budgeting and execution; enhanced asset management and sustainment capability across the enterprise; enhanced supply chain management across the enterprise; enhanced policy effectiveness and system performance assessments; and the highest probability that war-fighting equipment will be reliable, maintainable, supportable, and ultimately available for use when and where needed at minimal expense and efforts.

Pertinent Guidance

Marine Corps Order P4400.150E, “Consumer-Level Supply Policy Manual,” dated 21 June 1999, defines accountability and responsibility for the supply function. It states

that accountability is the obligation imposed by law or lawful order, or regulation on an officer or other person for keeping accurate records of property, documents, or funds. The person having this obligation may, or may not, have actual possession of the property, documents, or funds. Accountability is concerned primarily with records, while responsibility is concerned primarily with custody, care, and safekeeping. Responsibility is defined as the obligation for the proper custody, care, and safekeeping of property or funds entrusted to the possession or supervision of an individual. Any person having public property in their custody or under their supervision assumes a public trust that the property will be used only for its intended purpose, and as authorized by law or regulations. The order also states that consumer-level supply accounts are not authorized to retain excess materiel.

Marine Corps Order 5311.1D, “Total Force Structure Process,” dated 26 February 2009, states that within the Marine Corps, the approved acquisition objective is the quantity of an item authorized for peacetime and wartime requirements to equip and sustain the Marine Corps per current DoD policies and plans.

Marine Corps Order 4000.57A, “Marine Corps Total Life Cycle Management,” dated 23 December 2009, states that the Deputy Commandant, Installations and Logistics shall serve as the principal advisor to the Commandant of the Marine Corps on matters related to logistics and is responsible for publishing service logistics policy. In order to optimize overall support for the war fighter, it also directs Installations and Logistics to: 1) lead the Marine Corps total life cycle management governance process, 2) synchronize the total life cycle management framework, and 3) strengthen the accountability of total life cycle management stakeholders for producing results. Further, it states that Installations and Logistics serves as the senior ground logistician of the Marine Corps and coordinates with the other total life cycle management stakeholders to ensure complete integration of life cycle management activities. This includes verifying the total life cycle management alignment.

Audit Results

We found that the Marine Corps total life cycle management process needed improvement. According to Marine Corps Order 4000.57A, the total life cycle management process is important because it maximizes visibility, supportability, availability, accountability, and optimization of mission readiness for the war fighter and all other stakeholders.

Despite its importance, we found that the:

- Marine Corps exceeded its approved acquisition objective for 3 Table of Authorized Materiel Control Numbers (A80887 (encryption-decryption device),

A80917 (encryption-decryption device), and A25467 (ruggedized laptop computer)) by 2,305 assets, valued at about \$9.4 million;

- Marine Corps can save approximately \$4 million by eliminating the purchase of 1,390 ruggedized laptop computers (an excess of the approved acquisition objective) during Fiscal Year 2012;
- Marine Corps could not account for 173 Table of Authorized Materiel Control Number D00277 (Cougar Cat II/Mine Resistant Ambush Protected vehicles), collectively valued at approximately \$118 million; and
- Authorized data source for the approved acquisition objectives did not mirror quantities provided by personnel responsible for controlling the approved acquisition objective for Table of Authorized Materiel Control Numbers A02387, A02397, and A02407 (spare maintenance kits for satellite-wide area networks).

This situation occurred because: 1) Marine Corps Systems Command program managers did not review authoritative systems in order to determine on-hand quantities at the unit level, 2) operating units were not disposing of excess equipment as required, and 3) the Marine Corps did not have “cradle to grave” (purchase through disposal) accountability for its assets. It also occurred because there was limited formal coordination among, and oversight of, the multiple commands that participated in the total life cycle management process.

Approved Acquisition Objective Purchases

To determine if Marine Corps equipment was being efficiently and effectively managed, we obtained a listing of 135 “mission critical” Table of Authorized Materiel Control Numbers from the Deputy Commandant for Installations and Logistics. A Table of Authorized Materiel Control Numbers is used to identify a specific item within the Marine Corps inventory. For each of these materiel control numbers, we obtained the on-hand and backorder amounts as included in the Supported Activity Supply System. We then compared this total to the approved acquisition objective listed in the Total Force Structure Management System. For additional background information, see Exhibit A.

Based on this comparison, we identified 31 materiel control numbers that had combined on-hand and backorder quantities that exceeded the approved acquisition objectives for each asset. According to Marine Corps Order 5311.1D, “Total Force Structure Process,” within the Marine Corps, the approved acquisition objectives are the quantities of an item authorized for peacetime and wartime requirements to equip and sustain the Marine Corps per current DoD policies and plans.

We also met with Marine Corps Combat Development Command personnel to validate the approved acquisition objectives for each of those 31 materiel control numbers,

determine any planned or pending changes to the approved acquisition objectives, and to gain a thorough understanding of the Total Force Structure Management System. We determined that 5 of the 31 materiel control numbers had pending approved acquisition objective increases that would result in the acquisition objectives exceeding the on-hand and backorder combined quantities, thus eliminating these items from our scope.

We met with Marine Corps Systems Command personnel to determine the quantity of each materiel control number purchased, any planned purchases, and their procurement procedures. It was determined that an additional 10 materiel control numbers would not be procured in the future (one-time buy, item phased out, or approved acquisition objective archived). Therefore, we eliminated those materiel control numbers from further review.

We met with Marine Corps Logistics Command personnel and determined that the backorder amounts, as listed in the Supported Activity Supply System, were not accurate because they had not been validated. Instead, Logistics Command personnel told us that they validate the backorder quantity for each of the materiel control numbers, but the validated numbers were not in the Supported Activity Supply System. We obtained the validated backorder amounts for each of the materiel control numbers under review, from Marine Corps Logistics Command personnel. Using this data, we determined that an additional three materiel control numbers had a lower validated backorder quantity than the backorder quantity reflected in the Supported Activities Supply System, thus eliminating those materiel control numbers from our scope. As a result, we were left with 13 materiel control numbers with the potential to be purchased in excess of the approved acquisition objective. Table 1 features a list of those 13 materiel control numbers.

Table 1.

13 Table of Authorized Materiel Control Numbers Reviewed						
NUMBER	TABLE OF AUTHORIZED MATERIEL CONTROL NUMBER	NOMENCLATURE	ON-HAND QUANTITY 1/	BACKORDER QUANTITY 1/	APPROVED ACQUISITION OBJECTIVE 2/	ASSET VALUE
1	A01497	Antenna, Communication	22	10	25	\$495,000
2	A02387	Maintenance Kit, Electric	35	2	6	\$145,000
3	A02397	Maintenance Kit, Electric	85	15	34	\$45,000
4	A02407	Maintenance Kit, Electric	66	10	23	\$90,000
5	A02557	Combat Operations Center	151	39	181	\$1,372,700
6	A08067	Defense Satellite	10	5	12	\$1,500,000
7	A25467	Ruggedized Laptop	4,993	214	2,973	\$3,500
8	A71007	Digital Camera System	95	12	89	\$14,531
9	A80887	Encryption-Decryption	1,006	91	772	\$7,950
10	A80917	Encryption-Decryption	58	1	7	\$9,900
11	B04767	Mine Detector	802	52	804	\$19,175
12	D00277	Cougar Cat II	356	365	605	\$680,000
13	E07207	Hook and Line Kit	105	37	124	\$17,815

1. As of 2 April 2010.
2. As of 6 April 2010.

As shown above, of the 13 materiel control numbers remaining for review, 7 (A02387, A02397, A02407, A25467, A71007, A80887, and A80917) had on-hand quantities that exceeded the approved acquisition objectives (without considering the backorder quantities). Based upon discussions with Marine Corps Systems Command personnel, it was determined that the backorder information was not used when making purchase decisions. In fact, we were told that backorder information had no relation to what was on order or planned to be ordered. Therefore, we focused on the seven materiel control numbers that had on-hand balances that exceeded the approved acquisition objectives.

Of these seven assets, one (Materiel Control Number A71007) had a decreased on-hand quantity due to an updated data pull from Marine Corps Logistics Command. As a result, the on-hand quantity was no longer in excess of the approved acquisition objective for that asset. Additionally, we determined that the approved acquisition objectives

(contained in the Total Force Structure Management System) were not accurate for three of the remaining six assets (Materiel Control Numbers A02387, A02397, and A02407) as discussed in further detail below.

For two of those remaining three items (Materiel Control Numbers A80887 and A80917), Marine Corps Systems Command personnel could not provide an adequate explanation for why the on-hand quantities exceeded the acquisition objective quantities because they were unaware that this had occurred. Systems Command personnel stated that some of the on-hand balance shown in the Supported Activities Supply System were items that could be procured without the oversight of Marine Corps Systems Command and therefore, should not have been counted against the approved acquisition objectives. However, Marine Corps Order 5311.1D, "Total Force Structure Process," states that within the Marine Corps, the approved acquisition objective is the quantity of an item authorized for peacetime and wartime requirements to equip and sustain the Marine Corps per current DoD policies and plans, not just assets purchased by Marine Corps Systems Command. Based upon our review, we found that the Marine Corps exceeded its approved acquisition objective for Materiel Control Number A80887 by 234 assets, collectively valued at about \$1.9 million, and Materiel Control Number A80917 by 51 assets, collectively valued at about \$500,000. However, at the time of our review, the Marine Corps had no plans to procure more of these items.

Additionally, we found that the Marine Corps is exceeding its approved acquisition objective for Materiel Control Number A25467. Specifically, while meeting with Marine Corps Systems Command personnel concerning Materiel Control Number A25467, we determined that program managers were procuring 25 percent of the approved acquisition objective for this materiel control number annually without regard to on-hand quantities already fielded. Although we discussed this with the Systems Command personnel, we were told that they were not concerned with the number of assets in the field, only what items they needed to procure. We were also told that one-fourth of the acquisition objective is procured annually because the assets had 4-year warranties. Consequently, by not considering the number of assets on-hand, the Marine Corps exceeded its approved acquisition objective for Materiel Control Number A25467 by 2,020 assets, collectively valued at approximately \$7 million as of April 2010.

In two previous Naval Audit Service reports,² we reviewed the recordkeeping accuracy of assets assigned to units, including Materiel Control Number A25467. During those reviews, we observed that, in several cases, these assets were in original packaging (unopened) and not in use by the units. Additionally, unit and Major Subordinate Command personnel informed us that these assets were "pushed down" when, in some cases, there was not an expressed need. We also analyzed the Mechanized Allowance

² Naval Audit Service Audit Report N2011-0021, "Marine Corps Equipment Accountability at II Marine Expeditionary Force" (16 February 2011), and Naval Audit Service Audit Report 2011-0027, "Marine Corps Equipment Accountability at I Marine Expeditionary Force" (31 March 2011).

Lists from 43 I and II Marine Expeditionary Force units obtained during these two audits. The Mechanized Allowance List provides current information, such as the National Stock Number, unit price, overages, shortages, and other information for allowance type items assigned to a unit. We found that the I Marine Expeditionary Force units we reviewed had an excess of 309 of these assets, and that II Marine Expeditionary Force units reviewed had an excess of 215 of these assets.

To determine if the Marine Corps will continue to exceed its approved acquisition objective for this item, we reviewed the Total Force Structure Management System to determine any planned approved acquisition objective changes. As shown in Table 2, we found that the objective for A25467 for Fiscal Years 2011 through 2016 will be as follows:

Table 2.

Approved Acquisition Objective for Table of Authorized Materiel Control Number A25467						
	FY11	FY12	FY13	FY14	FY15	FY16
Approved Acquisition Objective	2,638	8,819	8,702	8,692	8,655	8,616

We also reviewed the Supported Activity Supply System as of 8 March 2011 and contacted Marine Corps Systems Command to determine how many of these assets they planned to purchase during Fiscal Year 2012. We found that the Marine Corps is scheduled to exceed its approved acquisition objective for this asset by 1,390 items, valued at approximately \$4 million (using the Fiscal Year 2012 price of \$2,856 each) as shown in table 3.

Table 3.

Comparison of On-Hand Quantity and Planned Purchases of Materiel Control Number A25467 to the Approved Acquisition Objective			
Assets On Hand 1/	7,352		
Plus: Planned Fiscal Year 2012 Purchases	+ 2,857		
Projected Fiscal Year 2012 On Hand		10,209	
Less: Fiscal Year 2012 Acquisition Objective 2/		- 8,819	
Purchases in Excess of Acquisition Objective			1,390
Multiplied by the Fiscal Year 2012 Asset Price			x\$2,856
Value of Excess Purchases			<u>\$ 3,969,840</u>

1/ As of 8 March 2011

2/ As of 21 April 2011

However, if the Marine Corps limits the purchase of these assets to only enough assets to meet its Fiscal Year 2012 objective, it could save approximately \$4 million. This money could be used to purchase assets that have on-hand quantities below their approved acquisition objective. In other words, the resulting savings of approximately \$4 million could be better used for the other pressing needs and requirements of the Marine Corps.

Accounting for Assets

As earlier stated, to determine if Marine Corps equipment was being efficiently and effectively managed, we obtained a listing of 135 “mission critical” Table of Authorized Materiel Control Numbers from the Deputy Commandant for Installations and Logistics. For each of these materiel control numbers, we obtained the on-hand and backorder amounts as included in the Supported Activity Supply System and compared this total to the approved acquisition objective listed in the Total Force Structure Management System. Based upon this comparison, we identified 31 materiel control numbers that had a combined on-hand and backorder quantity that exceeded the approved acquisition objective for each asset.

We also met with Marine Corps Combat Development Command personnel to validate the approved acquisition objectives for each of those 31 materiel control numbers, determine any planned or pending changes to the approved acquisition objectives, and gain a thorough understanding of the Total Force Structure Management System. Additionally, we met with Marine Corps Systems Command personnel to determine the quantity of each materiel control number purchased, any planned purchases, and their procurement procedures.

While meeting with Marine Corps Systems Command personnel concerning Materiel Control Number D00277, we were provided documentation showing that 613 vehicles had been purchased as of October 2008, of which 84 had been sold or transferred, leaving a quantity of 529 remaining. We compared this quantity to the quantity on-hand as listed in the Supported Activities Supply System (after adjusting for documented transfers and sales), and determined that there were 173 assets, valued at about \$118 million, that were not listed on the records. We questioned Marine Corps Systems Command personnel about the difference, but they could only tell us where the assets had been originally fielded, not where they currently were. We also contacted personnel from Marine Corps Logistics Command, and Headquarters Marine Corps, Installations and Logistics to determine if they could tell us the whereabouts of those 173 vehicles. Despite numerous inquiries, beginning back in August 2010, the Marine Corps has been unable to account for the whereabouts of these assets.

Authorized Data Source for Approved Acquisition Objective

The Total Force Structure Management System, the authorized data source for approved acquisition objectives, was not always kept up to date. For example, we reviewed the 31 materiel control numbers listed in the Total Force Structure Management System as of 15 December 2010 and found that 20 (65 percent) had a total of 54 Table of Equipment Change requests in a pending status as of that date. We also aged those change requests based upon number of days they were pending and found that 43 (80 percent) were in this status beyond 30 days, with 27 (50 percent) in excess of 6 months, and 10 (19 percent) over a year. We discuss the processing of change requests in more detail in Finding 2 of this report.

Additionally, we found that the Total Force Structure Management System did not mirror quantities provided by personnel responsible for controlling the approved acquisition objective for Materiel Control Numbers A02387, A02397, and A02407 (spares maintenance kits for satellite-wide area networks). Marine Corps Combat Development Command personnel stated that Marine Corps Systems Command personnel were responsible for determining the approved acquisition objectives for those materiel control numbers. Marine Corps Systems Command personnel informed us on 17 March 2010 that several attempts were made to correct the Total Force Structure Management System. They said that for Materiel Control Numbers A02387, A02397, and A02407, the approved acquisition objective should have been 73, 123, and 73, instead of 6, 34, and 23, as listed in the Total Force Structure Management System. We interviewed Marine Corps Combat Development Command personnel concerning these materiel control numbers and determined that these personnel were aware of the discrepancies within the Total Force Structure Management System, but were unaware of any attempts to correct them by Marine Corps Systems Command personnel. As of 14 December 2010, the approved acquisition objectives as listed in the Total Force Structure Management System had not changed.

Why This Occurred

To determine why the above deficiencies occurred, we interviewed personnel from Marine Corps Combat Development Command, Marine Corps Systems Command, Marine Corps Logistics Command, and Headquarters Marine Corps, Installations and Logistics. We found that the above conditions occurred because:

- Marine Corps Systems Command program managers did not review authoritative systems in order to determine on-hand quantities at the unit level prior to making purchases, and operating units were not disposing of excess equipment as required;
- There was limited formal coordination among, and oversight of, the multiple commands that participate in the total life cycle management process; and

- The Marine Corps did not have “cradle to grave” (purchase through disposal) accountability for all its assets.

Use of Authoritative Systems and Unit Disposals. As stated above, we determined that the program manager for Materiel Control Number A25467 (ruggedized laptop computers) exceeded the approved acquisition objective for this asset by 2,020 items. We also noted that 25 percent of the approved acquisition objective was being purchased annually without regard to on-hand quantities already fielded due to 4-year manufacturer’s warranties on the computers. During our interviews with other Marine Corps Systems Command program managers, we found that they too did not review the Supported Activity Supply System (the authoritative system for on-hand quantities) in order to determine on-hand quantities at the unit-level prior to making purchasing decisions. Additionally, based upon our previous audits, we found that the Marine Corps on-hand quantities for Materiel Control Number A25467 exceeded the approved acquisition objective because operating units were not always disposing of excess equipment as required by Marine Corps guidance. During those audits, we observed that, in several cases, Materiel Control Number A25467 assets were in original packaging (unopened) and not in use by the units. Unit and major subordinate command personnel informed us that these assets were “pushed down” when, in some cases, there was not an expressed need. We also found that the Marine Expeditionary Force units we reviewed had an excess of 524 of these assets. As stated earlier, despite these excesses, the Marine Corps plans to purchase approximately \$4 million more of these assets during Fiscal Year 2012. This is above its approved acquisition objective.

Marine Expeditionary Force-, Major Subordinate Command-, and unit-level personnel we contacted stated that in some cases, requests they made to dispose of these assets were not responded to, or attempts to dispose of excesses were not made without reasons as to why. After speaking with personnel concerning excess laptops, we determined that this was not a major concern at the Marine Expeditionary Force level and below. However, Marine Corps Order P4400.150E, “Consumer Level Supply Policy Manual,” dated 21 June 1999, states that consumer-level supply accounts are not authorized to retain excess materiel.

As stated above, Marine Corps Systems Command personnel responsible for Materiel Control Numbers A80887 and A80917 (encryption-decryption devices) could not provide an adequate explanation as to why the on-hand quantity exceeded the approved acquisition objective quantity. Marine Corps Systems Command personnel were unaware that this had occurred because they did not review the Supported Activities Supply System, the authoritative data source for on-hand equipment within the Marine Corps.

Coordination, Oversight, and Responsibility for Asset Accountability. We found that there was limited formal coordination among, and oversight of, the multiple commands that participate in the total life cycle management process. We also found that the Marine

Corps did not have “cradle to grave” (purchase through disposal) accountability for all its assets. For example, we obtained data regarding the backorder quantity from the Supported Activities Supply System for 135 Table of Authorized Materiel Control Numbers. We then interviewed Marine Corps Logistics Command personnel regarding backorder quantities for these items. We determined that the Marine Corps Logistics Command personnel validate on-hand and backorder quantities listed in the Supported Activity Supply System for Marine Corps assets and provide it to the Marine Corps Systems Command via e-mail. However, we discussed these reports with Marine Corps System Command personnel, and they indicated that they were not used when making procurement decisions.

As discussed earlier, we found that Materiel Control Number D00277 had 173 assets, valued at \$118 million, which were unaccounted for. We believe that the reason the various commands that participate in the total life cycle management process were not able to account for the items was because the Marine Corps did not have “cradle to grave” asset accountability for all of its assets. This includes Headquarters Marine Corps, Installations and Logistics, whose responsibility it is to serve as the principal advisor to the Commandant of the Marine Corps on matters related to logistics. In this role, they are responsible for publishing service logistics policy. They also lead the Marine Corps total life cycle management governance process and synchronize the total life cycle management framework. Finally, Installations and Logistics make total life cycle management stakeholders accountable for producing results that optimize overall support for the war fighter. To prevent these situations from occurring in the future, we believe that Marine Corps Logistics Command should report monthly Principle End Item excesses (by Marine Expeditionary Force) to Headquarters Marine Corps, Installations and Logistics so that they have visibility of these situations and can take corrective actions.

Impact

Based on our review, we determined that the current total life cycle management environment does not provide the Marine Corps with assurance that it is purchasing, sustaining, disposing, and accounting for critical assets effectively and efficiently. As earlier stated, we found that the Marine Corps has lost accountability over 173 Cougar Cat II/Mine Resistant Ambush Protected vehicles, collectively valued at approximately \$118 million.

Additionally, the Marine Corps exceeded its approved acquisition objective for 3 Materiel Control Numbers (A80887, A80917, and A25467) by 2,305 assets, valued at about \$9.4 million. It also plans to purchase approximately \$4 million of A25467 assets in excess of its approved acquisition objective during Fiscal Year 2012. However, if the Marine Corps limits the purchase of these assets to only enough assets to meet its Fiscal Year 2012 objective, it could save approximately \$4 million, which could be used to

purchase assets that have on-hand quantities below their approved acquisition objective. This would result in approximately \$4 million in funds put to better use.

Recommendations and Corrective Actions

Our recommendations, summarized management responses, and our comments on the responses are below. The complete text of the management responses is in the Appendix.

We recommend that the Commandant of the Marine Corps:

Recommendation 1. Require Marine Corps Systems Command personnel to use authoritative data systems in order to determine on-hand quantities prior to making procurement decisions.

Management response to Recommendation 1. Concur. Marine Corps Systems Command personnel are required to use authoritative data systems in order to determine on-hand quantities prior to making procurement decisions, however, the intricacies of the procurement decision process and how authoritative data systems are used in the multi-step, multi-player process must be considered.

Ultimately, Marine Corps Systems Command contracts for additional weapon systems based off requirements provided by the Integration Divisions at Marine Corps Combat Development Command. The Integration Divisions validate the requirements for additional weapon systems using input from the Marine Corps Systems Command Program Offices and from the Inventory Managers at Marine Corps Logistics Command. The Inventory Managers at Marine Corps Logistics Command provide on-hand quantities for any given Table of Authorized Materiel Control Number by utilizing the current authoritative data systems from the Stock Control System for wholesale inventory and the Supported Activities Supply System for retail inventory. Data from these two accountability systems is compared to the approved acquisition objectives maintained in the Total Force Structure Management System in order to determine the quantity of additional weapon systems required. Therefore, determinations of on-hand quantities through use of authoritative data systems do factor into Marine Corps Systems Command's ultimate procurement decisions, but this step is embedded in the larger process shared by Marine Corps Combat Development Command and Marine Corps Logistics Command.

The current process for using authoritative data systems in order to determine on-hand quantities prior to making procurement decisions meets the intent of Recommendation 1. The Marine Corps requests NAS close Recommendation 1.

Naval Audit Service comments on the response to Recommendation 1.

The intent of our recommendation was to ensure that Marine Corps Systems Command considered on-hand inventories prior to making procurement decisions. As stated in the report, we found that the on-hand quantities of some of the material control numbers contained in our review were in excess of the approved acquisition objective for that asset. Although we could debate whether the current process meets the intent of our recommendation as the Marine Corps indicates, in our judgment the Marine Corps' planned corrective actions for Recommendations 2 through 6 below address our concerns in this area and as a result, will meet the intent of this recommendation as well. Therefore, similar to those planned corrective actions, we consider this recommendation to be open with a target completion date for implementation of 30 March 2012, with an interim status update by 30 December 2011.

Recommendation 2. Assign responsibility for “cradle to grave” (purchase through disposal) asset accountability to one of the multiple commands that participate in the total life cycle management process (defined as asset management of Principle End Items throughout their service life, from acquisition through disposal).

Management response to Recommendation 2. Concur. The Marine Corps focus on property accountability has been at the Service level and has become a multi-step, multi-player process, requiring corrective action at the Headquarters Marine Corps level between the following stakeholders: Deputy Commandant, Programs and Resources (financial management); Commander, Marine Corps Systems Command (acquisition); and Deputy Commandant, Installations and Logistics along with the Commanding General, Marine Corps Logistics Command (logistics).

By March 2012, Headquarters Marine Corps will publish the Marine Corps Enterprise Ground Equipment Inventory Management policy, which will provide governance and clarify roles and responsibilities for inventory management of Marine Corps Class VII Principal End Items. The directive will assign the Deputy Commandant for Installations and Logistics as the Marine Corps Enterprise Ground Equipment Inventory Manager, will define the roles and responsibilities of both Marine Corps Systems Command and Marine Corps Logistics Command in that process, and will provide additional direction regarding Principle End Item accountability and visibility management to Marine Corps acquisition Program Executive Offices, Program Managers, and supply and distribution process owners.

The target completion date for implementation of Recommendation 2 is 30 March 2012. The Marine Corps will provide an interim status update by 30 December 2011 on corrective actions taken to assign responsibility for “cradle

to grave” (purchase through disposal) asset accountability to one of the multiple commands that participate in the total life cycle management process (defined as asset management of Principle End Items throughout their service life, from acquisition through disposal).

Naval Audit Service comments on the response to Recommendation 2.

Planned actions by management meet the intent of the recommendation. This recommendation is considered open pending completion of planned actions.

Recommendation 3. Improve coordination and oversight among the multiple commands involved in the total life cycle management process.

Management response to Recommendation 3. Concur. The Marine Corps response to Recommendation 2 pertains. By March 2012, Headquarters Marine Corps will publish the Marine Corps Enterprise Ground Equipment Inventory Management policy, which will provide governance and clarify roles and responsibilities for inventory management of Marine Corps Class VII Principal End Items. Under this policy, the Deputy Commandant for Installations and Logistics will act as the Marine Corps Enterprise Ground Equipment Inventory Manager; the Commanding General, Marine Corps Logistics Command will be assigned as the Marine Corps Ground Equipment Principle End Item Asset Manager, acting as Deputy Commandant for Installations and Logistics’ Executive Agent for Principle End Item inventory management; and the Commander, Marine Corps Systems Command will be assigned as the Marine Corps Ground Equipment Principle End Item Lifecycle Manager, responsible for lifecycle management processes that bases all programmatic decisions on the anticipated mission-related economic benefits derived over the life of that system.

The target completion date for implementation of Recommendation 3 is 30 March 2012. The Marine Corps will provide an interim status update by 30 December 2011 on corrective actions taken to improve coordination and oversight among the multiple commands involved in the total life cycle management process.

Naval Audit Service comments on the response to Recommendation 3.

Planned actions by management meet the intent of the recommendation. This recommendation is considered open pending completion of planned actions.

Recommendation 4. Direct Marine Corps Systems Command to limit the purchase of Materiel Control Number A25467 to the difference between the current on-hand inventory and the approved acquisition objective, and use the resulting savings to purchase items that have lower on-hand quantities than their recorded approved acquisition objective.

Management response to Recommendation 4. Concur. Marine Corps Systems Command will limit the purchase of Materiel Control Number A25467 (ruggedized laptop computer) to the difference between the current on-hand inventory and the approved acquisition objective, and use the resulting savings to purchase items that have lower on-hand quantities than their recorded approved acquisition objective.

The Marine Corps will conduct an inventory of its laptop assets to validate posture noted in the audit (Table of Authorized Materiel Control Numbers: A90717G (Semi-Rugged Laptop), A91002B (GP Laptop), and A25467G (Computer, System Digital)) and adjust property records if necessary. Any cost savings realized will be reapplied to other Marine Corp shortfalls. The target completion date for confirming items selected for purchase that have lower on-hand quantities than their recorded approved acquisition objective is 30 December 2011.

Additionally, the Marine Corps concurs with the approximately \$4 million of Marine Corps funds the Naval Audit Service identified as potentially available for other use if the Marine Corps Systems Command limits the purchase of materiel control number A25467 (ruggedized laptop computer) to the difference between the current on-hand inventory and the approved acquisition objective, and uses the resulting savings to purchase items that have lower on-hand quantities than their recorded approved acquisition objective. Savings will be identified throughout Fiscal Year 2012. The Marine Corps will provide interim status updates by 30 December 2011, 30 June 2012, and 30 December 2012 on savings identified and funds put to other use.

Naval Audit Service comments on the response to Recommendation 4.

Planned actions by management meet the intent of the recommendation. This recommendation is considered open pending completion of planned actions.

Recommendation 5. Direct Marine Corps Logistics Command to report monthly Principle End Item excesses (defined as quantities on-hand above the approved acquisition objective) (by Marine Expeditionary Force) to Headquarters Marine Corps, Installations and Logistics.

Management response to Recommendation 5. Concur. The Marine Corps responses to Recommendations 2 and 3 pertain. By March 2012, Headquarters U.S. Marine Corps will publish the Marine Corps Enterprise Ground Equipment Inventory Management policy. That policy will assign the Commanding General, Marine Corps Logistics Command as the Marine Corps Ground Equipment Principal End Item Asset Manager, responsible for reporting monthly Principle End Item excesses (defined as quantities on-hand above the approved acquisition

objective by Marine Expeditionary Force) to Headquarters Marine Corps, Installations and Logistics.

The target completion date for implementation of Recommendation 5 is 30 March 2012. The Marine Corps will provide an interim status update by 30 December 2011 on corrective actions taken to ensure Marine Corps Logistics Command reports monthly Principle End Item excesses to Headquarters Marine Corps, Installations and Logistics.

Naval Audit Service comments on the response to Recommendation 5.

Planned actions by management meet the intent of the recommendation. This recommendation is considered open pending completion of planned actions.

Recommendation 6. Require Headquarters Marine Corps, Installations and Logistics to review the monthly reports discussed in Recommendation 5 and take the necessary corrective actions to ensure approved acquisition objectives are not exceeded.

Management response to Recommendation 6. Concur. The Marine Corps responses to Recommendations 2, 3, and 5 pertain.

By March 2012, Headquarters U.S. Marine Corps will publish the Marine Corps Enterprise Ground Equipment Inventory Management policy. This policy will assign the Deputy Commandant for Installations and Logistics as the Marine Corps Enterprise Ground Equipment Inventory Manager, and will designate Deputy Commandant for Installations and Logistics as responsible for reviewing the monthly reports discussed in Recommendation 5 and taking the necessary corrective actions to ensure approved acquisition objectives are not exceeded.

The target completion date for implementation of Recommendation 6 is 30 March 2012. The Marine Corps will provide an interim status update by 30 December 2011 on corrective actions taken to implement Recommendation 6.

Naval Audit Service comments on the response to Recommendation 6.

Planned actions by management meet the intent of the recommendation. This recommendation is considered open pending completion of planned actions.

Finding 2: Processing of Change Requests

Synopsis

Marine Corps Combat Development Command (Combat Development and Integration) is not processing Table of Organization and Equipment Change Requests (hereafter referred to as change requests) in a timely manner. According to Marine Corps Order 5311.1D, “Total Force Structure Process,” dated 26 February 2009, a change request within the Total Force Structure Management System should not be in a “pending” status for more than 30 days to avoid possible conflict with other change requests associated with the same unit. However, we reviewed 31 critical Table of Materiel Control Numbers listed in the Total Force Structure Management System as of 15 December 2010, and found that 20 (65 percent) had a total of 54 change requests in a pending status as of that date. We also aged those change requests based upon number of days they were “pending” and found that 43 (80 percent) were in this status beyond 30 days, with 27 (50 percent) in excess of 6 months, and 10 (19 percent) over a year.

We believe that this primarily occurred due to a lack of management emphasis and oversight concerning the change request process. As a result of not processing change requests in a timely manner, units in the field cannot effectively manage equipment excesses and shortages. Furthermore, the Total Force Structure Management System, the authoritative data source for the approved acquisition objectives, cannot be relied upon by Marine Corps personnel.

Discussion of Details

Background

The approved acquisition objective is the quantity of an item authorized for peacetime and wartime requirements to equip and sustain the Marine Corps. Procurement decisions are based on the approved acquisition objective quantity. As the total force structure and approved acquisition objective process owner, the Deputy Commandant for Combat Development and Integration manages the Marine Corps total force structure. In this role, they coordinate the interests of all the total force structure process participants and facilitate the development and documentation of force structure for the Marine Corps. Additionally, the Deputy Commandant for Combat Development and Integration standardizes manpower and equipment requirement criteria to establish auditable metrics as a basis for Marine Corps requirements.

Changes to the approved acquisition objective are initiated with a change request. This tool is used to request and modify any data element in the Total Force Structure

Management System. Requests can be initiated within Headquarters Marine Corps Commands, Marine Corps Systems Command, Marine Corps Logistics Command, Marine Corps Training and Education Command, Marine Expeditionary Forces, their major subordinate commands, or operating units within their chain of command.

Pertinent Guidance

According to Marine Corps Order 5311.1D, “Total Force Structure Process,” dated 26 February 2009, the Total Force Structure Management System is the single, authoritative source that documents all force structure requirements and authorizations. This includes: 1) Principal End Item attributes, including approved acquisition objectives and unit-approved acquisition objectives; 2) unfunded requirement quantities; and 3) planned procurement quantities. The unit-approved acquisition objective, which is referred to as the Unit Table of Equipment Requirement, represents the quantity of an item authorized for a particular materiel control number within that unit.

The Marine Corps Order also states that a change request within the Total Force Structure Management System should not be in a “pending” status for more than 30 days to avoid possible conflict with other change requests associated with the same unit. Change requests in a pending status in excess of 30 days will be deleted unless prior coordination with the Total Force Structure Division has occurred. Further, the order designates the Deputy Commandant, Combat Development and Integration as the total force structure process owner and approved acquisition objective process owner. The order also states that the Deputy Commandant, Combat Development and Integration owns and manages the Marine Corps total force structure by coordinating the interests of all total force structure process participants and facilitates the development and documentation of force structure for the Marine Corps. Finally, the order notes that the responsibilities for the Deputy Commandant, Combat Development and Integration include providing oversight of the approved acquisition objective process. This ensures that accurate unit-approved acquisition objectives, also referred to as the Unit Table of Equipment Requirements, are entered into the Total Force Structure Management System.

Audit Results

Marine Corps Combat Development Command is not processing change requests in a timely manner. The timely processing of change requests is important because inaccurate force structure requirements prevent units in the field from effectively managing their equipment excesses and shortages. It also prevents the Total Force Structure Management System, the authoritative data source for the approved acquisition objectives, from being a reliable source for decisionmaking by Marine Corps personnel.

We reviewed 31 critical materiel control numbers listed in the Total Force Structure Management System as of 15 December 2010, and found that 20 (65 percent) had a total of 54 change requests in a pending status as of that date. We also aged those change requests based upon the number of days they were pending, and found that 43 (80 percent) were in this status beyond 30 days, with 27 (50 percent) in excess of 6 months, and 10 (19 percent) over a year old.

We believe that this primarily occurred due to a lack of management emphasis and oversight concerning the change request process.

Timeliness of Change Requests

To determine if Marine Corps Combat Development Command personnel were processing change requests in a timely manner, we obtained a listing of 135 critical Table of Materiel Control Numbers from the Deputy Commandant of the Marine Corps, Installations and Logistics. Using this list, we compared the on-hand and backorder quantities listed in the Supported Activities Supply Systems for each of these materiel control numbers as of 2 April 2010, to the approved acquisition objective quantities recorded in the Total Force Structure Management Systems as of 6 April 2010. Based upon this analysis, we identified 31 materiel control numbers that had combined on-hand and backorder amounts in excess of their recorded approved acquisition objectives. Exhibit B provides more details about the scope and methodology we used for this audit.

For each of these materiel control numbers, we reviewed the Total Force Structure Management System on 14 and 15 December 2010 to determine if they had any change requests in process. Based upon this review, we identified a total of 54 change requests affecting 20 materiel control numbers (or about 65 percent of the materiel control numbers reviewed) as of 15 December 2010. We aged those change requests to find out how many were over the 30-day status, as discussed above and shown in Table 4.

Table 4.

Table of Organization and Equipment Change Request Aging Schedule							
Number of days	0-30	31-90	91-180	181-365	366-730	731+	Total
Number of Table of Organization and Equipment Change Requests	11	5	11	17	9	1	54

According to Marine Corps Order 5311.1D, a Table of Organization and Equipment Change Request within the Total Force Structure Management System should not be in a pending status for more than 30 days to avoid possible conflict with other Table of Organization and Equipment Change Requests associated with the same unit.

Why This Occurred

To determine why the change requests were not being processed in a timely manner, we contacted personnel at the Marine Corps Combat Development Command, whose responsibility is to manage force structure changes. We were told that the processing delays occurred because it was not always viewed as a priority and because of the lack of visibility over outstanding change requests within the command. It was also noted that total force structure division personnel did not ensure that criteria requiring deletion of outstanding change requests older than 30 days was enforced. Based upon our review, we concluded that change requests were not always processed timely due to a lack of management emphasis and oversight concerning the change request process.

Impact of Unprocessed Change Requests

As stated earlier, Marine Corps Combat Development Command was not processing change requests in a timely manner. According to Marine Corps Order 5311.1D, a change request within the Total Force Structure Management System should not be in a pending status for more than 30 days to avoid possible conflict with other change requests associated with the same unit. However, based upon our review, we identified a total of 54 change requests affecting 20 materiel control numbers (or about 65 percent of the Table of Authorized Materiel Control Numbers reviewed) as of 15 December 2010. We also aged those change requests based upon number of days they were pending and found that 43 (80 percent) were in this status beyond 30 days, with 27 (50 percent) in excess of 6 months, and 10 (19 percent) over a year old.

As a result of not processing change requests in a timely manner, units in the field cannot effectively manage excesses and shortages. This is because requirement changes submitted stay in a pending status, and units are reluctant to redistribute excess assets to units that require specific equipment. Also, Marine Corps personnel cannot rely on the Total Force Structure Management System. This system is used by the Headquarters Marine Corps Commands, Training and Education Command, and all operational commands, bases, and stations.

If change requests are not processed in a timely manner, procurement procedures, which are made based on authorized quantities, may be affected. Also, unprocessed change requests make it difficult to manage requirements to ensure that the war fighter has accurate equipment for training and deployment.

Recommendations and Corrective Actions

Our recommendations, summarized management responses, and our comments on the responses are below. The complete text of the management responses is in the Appendix.

We recommend that the Commandant of the Marine Corps:

Recommendation 7. Direct Marine Corps Combat Development Command to reemphasize the importance of processing change requests in a timely manner to their personnel and develop a plan for addressing those change requests that have been in a pending status in excess of 30 days.

Management response to Recommendation 7. Concur. Headquarters Marine Corps, Installations and Logistics will coordinate with Marine Corps Combat Development Command to reemphasize the importance of processing change requests in a timely manner and will develop a plan for addressing those change requests that have been in a pending status in excess of 30 days. Coordination and planning are ongoing; the target completion date for development of a plan to address change requests that have been in a pending status in excess of 30 days is 30 December 2011.

Naval Audit Service comments on the response to Recommendation 7. Planned actions by management meet the intent of the recommendation. This recommendation is considered open pending completion of planned actions.

Recommendation 8. Require a periodic report from Marine Corps Combat Development Command be prepared for Headquarters Marine Corps, Installations and Logistics (with an aging schedule for Table of Organization and Equipment Change Requests in process) for all change requests related to ground equipment over 30 days in process.

Management response to Recommendation 8. Concur. Headquarters Marine Corps, Installations and Logistics will develop a monthly reporting requirement and direct Marine Corps Combat Development Command to comment/justify aged equipment Table of Organization and Equipment Change Requests for all change requests related to ground equipment over 30 days in process. The target completion date for corrective actions in response to Recommendation 8 is 30 December 11.

Naval Audit Service comments on the response to Recommendation 8. Planned actions by management meet the intent of the recommendation. This recommendation is considered open pending completion of planned actions.

Recommendation 9. Require Headquarters Marine Corps, Installations and Logistics to review the monthly reports discussed in Recommendation 8, and take the necessary corrective actions to ensure Table of Organization and Equipment Change Requests related to ground equipment are completed or deleted after a timeframe the Commandant of the Marine Corps deems reasonable.

Management response to Recommendation 9. Concur. Headquarters Marine Corps, Installations and Logistics will review the monthly reports discussed in Recommendation 8, and take the necessary corrective actions to ensure Table of Organization and Equipment Change Requests related to ground equipment are completed or deleted after a reasonable timeframe. The target completion date for corrective actions in response to Recommendation 9 is 30 December 11.

Naval Audit Service comments on the response to Recommendation 9. Planned actions by management meet the intent of the recommendation. This recommendation is considered open pending completion of planned actions.

Section B:

Status of Recommendations and Funds Potentially Available for Other Use

Recommendations								FUNDS POTENTIALLY AVAILABLE (In \$000s)				
Finding ³	Rec. No.	Page No.	Subject	Status ⁴	Action Command	Target or Actual Completion Date	Interim Target Completion Date ⁵	Category ⁶	Claimed Amount	Agreed To	Not Agreed To	Appropriation ⁷
1	1	18	Require Marine Corps Systems Command personnel to use authoritative data systems in order to determine on-hand quantities prior to making procurement decisions.	O	The Commandant of the Marine Corps	3/30/12	12/30/11					

³ / + = Indicates repeat finding.

⁴ / O = Recommendation is open with agreed-to corrective actions; C = Recommendation is closed with all action completed; U = Recommendation is undecided with resolution efforts in progress.

⁵ If applicable.

⁶ / A = One-time potential funds put to other use; B = Recurring potential funds put to other use for up to 6 years; C = Indeterminable/immeasurable.

⁷ / = Includes appropriation (and subhead if known).

Recommendations								FUNDS POTENTIALLY AVAILABLE (In \$000s)				
Finding ³	Rec. No.	Page No.	Subject	Status ⁴	Action Command	Target or Actual Completion Date	Interim Target Completion Date ⁵	Category ⁶	Claimed Amount	Agreed To	Not Agreed To	Appropriation ⁷
1	2	19	Assign responsibility for "cradle to grave" (purchase through disposal) asset accountability to one of the multiple commands that participate in the total life cycle management process (defined as asset management of Principle End Items throughout their service life, from acquisition through disposal).	O	The Commandant of the Marine Corps	3/30/12	12/30/11					
1	3	20	Improve coordination and oversight among the multiple commands involved in the total life cycle management process.	O	The Commandant of the Marine Corps	3/30/12	12/30/11					
1	4	20	Direct Marine Corps Systems Command to limit the purchase of Materiel Control Number A25467 to the difference between the current on-hand inventory and the approved acquisition objective, and use the resulting savings to purchase items that have lower on-hand quantities than their recorded approved acquisition objective.	O	The Commandant of the Marine Corps	12/30/11			4,000	4,000		17*1109

Recommendations								FUNDS POTENTIALLY AVAILABLE (In \$000s)				
Finding ³	Rec. No.	Page No.	Subject	Status ⁴	Action Command	Target or Actual Completion Date	Interim Target Completion Date ⁵	Category ⁶	Claimed Amount	Agreed To	Not Agreed To	Appropriation ⁷
1	5	21	Direct Marine Corps Logistics Command to report monthly Principle End Item excesses (defined as quantities on-hand above the approved acquisition objective) (by Marine Expeditionary Force) to Headquarters Marine Corps, Installations and Logistics.	O	The Commandant of the Marine Corps	3/30/12	12/30/11					
1	6	22	Require Headquarters Marine Corps, Installations and Logistics to review the monthly reports discussed in Recommendation 5 and take the necessary corrective actions to ensure approved acquisition objectives are not exceeded.	O	The Commandant of the Marine Corps	3/30/12	12/30/11					
2	7	27	Direct Marine Corps Combat Development Command to reemphasize the importance of processing change requests in a timely manner to their personnel and develop a plan for addressing those change requests that have been in a pending status in excess of 30 days.	O	The Commandant of the Marine Corps	12/30/11						

Recommendations								FUNDS POTENTIALLY AVAILABLE (In \$000s)				
Finding ³	Rec. No.	Page No.	Subject	Status ⁴	Action Command	Target or Actual Completion Date	Interim Target Completion Date ⁵	Category ⁶	Claimed Amount	Agreed To	Not Agreed To	Appropriation ⁷
2	8	27	Require a periodic report from Marine Corps Combat Development Command be prepared for Headquarters Marine Corps, Installations and Logistics (with an aging schedule for Table of Organization and Equipment Change Requests in process) for all change requests related to ground equipment over 30 days in process.	O	The Commandant of the Marine Corps	12/30/11						
2	9	28	Require Headquarters Marine Corps, Installations and Logistics to review the monthly reports discussed in Recommendation 8, and take the necessary corrective actions to ensure Table of Organization and Equipment Change Requests related to ground equipment are completed or deleted after a timeframe the Commandant of the Marine Corps deems reasonable.	O	The Commandant of the Marine Corps	12/30/11						

Exhibit A:

Background

On 16 May 2008, the Commandant of the Marine Corps issued White Letter 03-08 discussing equipment accountability. In this letter, he noted that based upon recent reports by the Inspector General, equipment accountability must be improved to ensure the Marine Corps can effectively meet ongoing and future mission requirements. The letter also noted that accurate equipment accountability ensures accurate readiness reporting, successful justification of resource requests to Congress, and continued ability to provide well-equipped forces to answer our nation's call as a force in readiness. Additionally, the letter stated that equipment accountability is a warfighting and readiness issue and must be a priority.

To complete this audit, we were provided with 135 "mission critical" Table of Authorized Materiel Control Numbers by the Deputy Commandant, Installations and Logistics. The Table of Authorized Materiel Control Numbers is used to identify specific items within the Marine Corps inventory. We used two legacy logistics systems: Total Force Structure Management System and Supported Activities Supply System to conduct our Table of Authorized Materiel Control Numbers analysis. A discussion of the systems reviewed follows.

Total Force Structure Management System – The Total Force Structure Management System is an enterprise system that combines manpower and equipment data for the purpose of managing the total force. The Marine Corps uses the Total Force Structure Management System to make decisions pertaining to active, reserve, and civilian billet requirements and equipment allowances. It allows logical, accurate, and efficient management of the Marine Corps total force structure process. The Marine Corps Combat Development Command personnel are responsible for this system.

Supported Activities Supply System – Without negating command responsibility, the Supported Activities Supply System functions as a centralized record keeper, stock manager, forecaster, and as a central bank or information point for the using units. The Supported Activities Supply System is oriented toward removing supply accounting and recordkeeping functions from the using unit and providing management reports to aid the unit commander in maintaining surveillance over the materiel readiness of the command. Computer produced documentation is provided to facilitate the receiving, issuing, and accounting for materiel. Marine Corps Logistics Command personnel are responsible for this system.

Total life cycle management is accomplished by integrating the enterprise-level activities and interests of all stakeholders participating in the total life cycle of weapon systems and equipment. The criticality of efficient and effective total life cycle management is

underscored by the many challenges intrinsic to melding inherently vertical processes across numerous, disparate organizations. Misaligned goals will always result in substandard outcomes. Successful integration of life cycle activities and processes, or effective total life cycle management, leads to:

- Effective program planning for procurement, operation, sustainment, and disposal;
- Unfettered total ownership cost visibility for budgeting and execution;
- Enhanced asset management and sustainment capability across the enterprise;
- Enhanced supply chain management across the enterprise;
- Enhanced policy effectiveness and system performance assessments; and
- The highest probability that war-fighting equipment will be reliable, maintainable, supportable, and ultimately available, for use when and where needed at minimal expense and effort.

The Deputy Commandant, Installations and Logistics acts on behalf of the Commandant in designated matters of logistics policy and management, and coordinates logistics actions with other agencies. The Installations and Logistics Department shapes logistics plans and policies to sustain excellence in war-fighting. Installations and Logistics is also tasked with assisting Deputy Commandant, Combat Development and Integration in establishing and validating the force structure and equipment necessary to support the development or change of a facility, unit, supporting establishment, or installation.

The Marine Corps Systems Command is the Commandant of the Marine Corps' agent for acquisition and sustainment of systems and equipment used to accomplish their war fighting mission.

The Commanding General, Marine Corps Combat Development Command directs the continuous adaptation of Marine forces by determining and developing wholly integrated war-fighting capabilities in order to provide a Corps of Marines that is fully prepared for employment as a Marine Air-Ground Task Force across the spectrum of conflict.

The Deputy Commandant, Combat Development and Integration determines and integrates war-fighting capabilities; produces solutions for capability gaps; assists Marine Air-Ground Task Force Commanders in meeting future challenges; assesses the strategic landscape; translates vision into capability; integrates processes to organize, train, and equip; and serves as the joint integrator for combat development.

Marine Corps Order 4000.57A, "Marine Corps Total Life-Cycle Management," dated 23 December 2009, states that Marine Corps Systems Command program managers are vested with the authority, accountability and resources necessary for timely and effective acquisition and sustainment of ground systems, equipment, munitions and information

technology throughout the life cycle. It also states that the Deputy Commandant of the Marine Corps, Installations and Logistics shall serve as the principal advisor to the Commandant of the Marine Corps on matters related to logistics, and is responsible for publishing service logistics policy. The order also states that the Deputy Commandant of the Marine Corps, Installations and Logistics shall serve as the senior ground logistician of the Marine Corps and will coordinate with the other total life cycle management stakeholders to ensure complete integration of life cycle management activities, in particular, to verify total life cycle management alignment.

Marine Corps Order 4000.57A also states that the Commanding General, Marine Corps Logistics Command acts as the end-to-end logistics chain manager for the Marine Corps with a logistics chain team instituted to provide a seamless worldwide supply chain and distribution network complete with depot-level maintenance and strategic prepositioning capabilities.

Exhibit B:

Scope and Methodology

We conducted our audit between 7 January 2010 and 10 June 2011. This audit focused on the processes pertaining to approved acquisition objective changes, procurement and visibility over equipment within the Marine Corps.

To conduct our review, we were provided with 135 “mission critical” Table of Authorized Materiel Control Numbers from the Deputy Commandant of the Marine Corps, Installations and Logistics. Originally, we were provided with a list of 93 control numbers on 8 December 2009. However, on 20 January 2010, the Deputy Commandant of the Marine Corps, Installations and Logistics provided a revised list of 111 control numbers. We compared the 2 lists and identified 24 control numbers that were deleted from the original list, and 42 control numbers that were added. To broaden our scope, we included the 24 previously deleted control numbers. This resulted in a total of 135 control numbers. Of these, 104 were reported in the Marine Corps Automated Readiness Evaluation System. Additionally, 64 of the 104 were classified as “mission essential equipment.”

We tested the reliability of the data extracted from the Total Force Structure Management System and the Supported Activities Supply System. We tested the reliability of the data from the Mechanized Allowance List provided by the using units. Through these testing procedures, we determined that data extracted from these various sources was reliable for the purpose of conducting audit fieldwork.

For each of the 135 Table of Authorized Materiel Control Numbers included in our review, we obtained the approved acquisition objective quantities from the Total Force Structure Management System, and the on-hand and backorder amounts from the Supported Activities Supply System. Using this data, we combined the on-hand and backorder quantities for each Table of Authorized Materiel Control Number, and compared this total to the approved acquisition objective listed in the Total Force Structure Management System. Based on this comparison, we identified 31 Table of Authorized Materiel Control Numbers where the approved acquisition objective was lower than the combined on-hand and backorder quantities.

To evaluate the effectiveness of internal controls, we interviewed Marine Corps Systems Command personnel in order to gain an understanding of the procurement procedures concerning the 31 Table of Authorized Materiel Control Numbers. We also obtained quantities procured to date. We interviewed Marine Corps Systems Command personnel concerning matters related to total life cycle management, specifically to determine if program managers utilized the validated backorder quantities provided by Marine Corps

Logistics Command personnel. We interviewed Marine Corps Logistics Command personnel in order to obtain an understanding of the backorder validation process. We also interviewed these personnel in order to determine the location of equipment within the Marine Corps.

We interviewed Headquarters Marine Corps, Installations and Logistics personnel in order to obtain an understanding of the program-level total life cycle management process and to determine the location of equipment within the Marine Corps.

We interviewed Marine Corps Combat Development Command personnel in order to determine the processes and procedures used to develop and revalidate the approved acquisition objective and methodology for approving any planned approved acquisition objective changes.

To determine if Marine Corps Combat Development Command personnel were processing change requests in a timely manner, we reviewed the Total Force Structure Management System on 14 and 15 December 2010 to determine if the 31 materiel control numbers had any change requests in process. We also aged those change requests based upon the number of days they were pending.

We reviewed Marine Corps Order 5311.1D, “Total Force Structure Process,” dated 26 February 2009. This order states that the Total Force Structure Management System is the single, authoritative source that documents all force structure requirements and authorizations, including: unit descriptive and geographic hierarchy data; billet descriptive and unit relationship data; Principle End Item attributes, including approved acquisition objectives; unit-approved acquisition objectives (Unit Table of Equipment Requirements); unfunded requirement quantities; and planned procurement quantities. It also states that within the Marine Corps, the approved acquisition objective is the quantity of an item authorized for peacetime and wartime requirements to equip and sustain the Marine Corps per current Department of Defense policies and plans.

We reviewed Marine Corps Bulletin 3000, “Marine Corps Automated Readiness Evaluation System Equipment,” dated 2 February 2010, which contains the Table of Authorized Materiel Control Numbers within the Marine Corps Automated Readiness Evaluation System. It further lists Table of Authorized Materiel Control Numbers that are classified as “mission essential equipment.”

We reviewed Marine Corps Order P4400.150E, “Consumer-Level Supply Policy Manual,” dated 21 June 1999, which provides policy for consumer-level supply activities.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our

findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

There were no audits related to Marine Corps equipment accountability during the last 5 years by the Naval Audit Service, Department of Defense Inspector General, or Government Accountability Office that required audit follow up. Therefore, no follow up was performed.

Exhibit C:**Activities Visited and/or Contacted**

Activity	Location
Headquarters Marine Corps, Installations and Logistics	Arlington, VA
Marine Corps Forces Command	Norfolk, VA
Marine Corps Combat Development Command	Quantico, VA
Marine Corps Systems Command	Quantico, VA
Marine Corps Logistics Command	Albany, GA
Marine Corps Base Camp Lejeune	Jacksonville, NC
Marine Corps Air Station New River	Jacksonville, NC
Marine Corps Air Station Cherry Point	Havelock, NC
Marine Corps Base Camp Pendleton	Camp Pendleton, CA

Appendix:

Management Response from the Marine Corps



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20350-3000

IN REPLY REFER TO:
7510

RFR-80

AUG 1 2011

From: Commandant of the Marine Corps
To: Assistant Auditor General for Installations and
Environment Audits, Naval Audit Service

Subj: COMMANDANT OF THE MARINE CORPS (CMC) OFFICIAL RESPONSE
TO NAVAL AUDIT SERVICE (NAVAUDSVC) DRAFT REPORT
N2010-NIA000-0038.000, "MARINE CORPS EQUIPMENT
ACCOUNTABILITY," DATED 10 JUNE 2011

Ref: (a) NAVAUDSVC memo 7510 N2010-NIA000-0038.000 10 Jun 11

Encl: (1) CMC Official Responses

1. Official responses required by the reference are provided at enclosure (1).

2. The Marine Corps appreciates the opportunity to respond to the report.

3. If you have any questions about the responses, please contact [REDACTED] Headquarters, U. S. Marine Corps Senior Audit Liaison, email [REDACTED] or phone [REDACTED].

FOIA (b)(6)

[REDACTED]
[REDACTED]
Deputy Commandant
for Programs and Resources

FOIA (b)(6)

Copy to:
NAVINGEN (N4)
DMCS
DC I&L

7510
LPC
JUL 21 2011

LOGISTICS PLANS, POLICIES AND STRATEGIC MOBILITY DIVISION COMMENTS on
P&R MCATS 2011-6-2501.7

Subj: NAVAL AUDIT SERVICE DRAFT REPORT N2010-NIA000-0038.00 - MARINE
CORPS EQUIPMENT ACCOUNTABILITY

Encl: (1) USMC responses to NAS recommendations

1. We have reviewed the draft audit report and submit the enclosed
responses to recommendations 1 through 9.

2. The point of contact in this division is [REDACTED] LPC-2, at
[REDACTED] or [REDACTED]

FOIA (b)(6)

FOIA (b)(6)

[REDACTED]
[REDACTED]
By direction

1

Encl (1)

NAVAL AUDIT SERVICE (NAS) DRAFT REPORT DATED 10 JUNE 2011
PROJECT # N2010-NIA000-0038.000

"MARINE CORPS EQUIPMENT ACCOUNTABILITY"

UNITED STATES MARINE CORPS COMMENTS
TO THE NAS RECOMMENDATIONS

NAS recommends the Commandant of the Marine Corps:

RECOMMENDATION 1: Require Marine Corps Systems Command personnel to use authoritative data systems in order to determine on-hand quantities prior to making procurement decisions.

USMC RESPONSE: Concur. Marine Corps Systems Command (MCSC) personnel are required to use authoritative data systems in order to determine on-hand quantities prior to making procurement decisions, however, the intricacies of the procurement decision process and how authoritative data systems are used in the multi-step, multi-player process must be considered.

Ultimately, MCSC contracts for additional weapon systems based off requirements provided by the Integration Divisions at Marine Corps Combat Development Command (MCCDC). The Integration Divisions validate the requirements for additional weapon systems using input from the MCSC Program Offices and from the Inventory Managers at Marine Corps Logistics Command (MCLC). The Inventory Managers at MCLC provide on-hand quantities for any given Table of Authorized Materiel Control Number (TAMCN) by utilizing the current authoritative data systems from the Stock Control System (SCS) for wholesale inventory and the Supported Activities Supply System (SASSY) for retail inventory. Data from these two accountability systems is compared to the approved acquisition objectives maintained in the Total Force Structure Management System (TFSMS) in order to determine the quantity of additional weapon systems required. Therefore, determinations of on-hand quantities through use of authoritative data systems do factor into MCSC's ultimate procurement decisions, but this step is embedded in the larger process shared by MCCDC and MCLC.

The current process for using authoritative data systems in order to determine on-hand quantities prior to making procurement decisions meets the intent of recommendation 1. The Marine Corps requests NAS close recommendation 1.

RECOMMENDATION 2: Assign responsibility for "cradle to grave" (purchase through disposal) asset accountability to one of the multiple commands that participate in the total life cycle management process (defined as asset management of Principle End Items throughout their service life, from acquisition through disposal.)

USMC RESPONSE: Concur. The Marine Corps focus on property accountability has been at the Service level and has become a multi-step, multi-player process, requiring corrective action at the Headquarters Marine Corps (HQMC) level between the following stakeholders: Deputy Commandant, Programs and Resources (financial management); Commander, Marine Corps Systems Command (MCSC) (acquisition); and Deputy Commandant, Installations and Logistics along with the Commanding General, Marine Corps Logistics Command (MCLC) (logistics).

By March 2012, HQMC will publish the Marine Corps Enterprise Ground Equipment Inventory Management policy, which will provide governance and clarify roles and responsibilities for inventory management of Marine Corps Class VII Principal End Items (PEI). The directive will assign the Deputy Commandant for Installations and Logistics (DC, I&L) as the Marine Corps Enterprise Ground Equipment Inventory Manager, will define the roles and responsibilities of both MCSC and MCLC in that process, and will provide additional direction regarding PEI accountability and visibility management to Marine Corps acquisition Program Executive Offices (PEOs), Program Managers (PMs), and supply and distribution process owners.

The target completion date for implementation of recommendation 2 is 30 March 2012. The Marine Corps will provide an interim status update by 30 Dec 2011 on corrective actions taken to assign responsibility for "cradle to grave" (purchase through disposal) asset accountability to one of the multiple commands that participate in the total life cycle management process (defined as asset management of Principle End Items throughout their service life, from acquisition through disposal.)

RECOMMENDATION 3: Improve coordination and oversight among the multiple commands involved in the total life cycle management process.

USMC RESPONSE: Concur. The USMC response to recommendation 2 pertains. By March 2012, HQMC will publish the Marine Corps Enterprise Ground Equipment Inventory Management policy, which will provide governance and clarify roles and responsibilities for inventory management of Marine Corps Class VII Principal End Items (PEI). Under this policy, the Deputy Commandant for Installations and Logistics (DC, I&L) will act as the Marine Corps Enterprise Ground Equipment Inventory Manager; the Commanding General, Marine Corps Logistics Command (MCLC) will be assigned as the Marine Corps Ground Equipment PEI Asset Manager, acting as DC, I&L's Executive Agent for PEI inventory management; and the Commander, Marine Corps Systems Command (MCSC) will be assigned as the Marine Corps Ground Equipment PEI Lifecycle Manager, responsible for lifecycle management processes that bases all programmatic decisions on the anticipated mission-related economic benefits derived over the life of that system.

The target completion date for implementation of recommendation 3 is 30 March 2012. The Marine Corps will provide an interim status update by 30 Dec 2011 on corrective actions taken to improve coordination and oversight among the multiple commands involved in the total life cycle management process.

RECOMMENDATION 4: Direct Marine Corps Systems Command to limit the purchase of Materiel Control Number A25467 to the difference between the current on-hand inventory and the approved acquisition objective, and use the resulting savings to purchase items that have lower on-hand quantities than their recorded approved acquisition objective.

USMC RESPONSE: Concur. Marine Corps Systems Command will limit the purchase of Materiel Control Number A25467 (ruggedized laptop computer) to the difference between the current on-hand inventory and the approved acquisition objective, and use the resulting savings to purchase items that have lower on-hand quantities than their recorded approved acquisition objective.

The Marine Corps will conduct an inventory of its laptop assets to validate posture noted in the audit (Table of Authorized Materiel Control Number's: A90717G (Semi-Rugged Laptop), A91002B (GP Laptop), and A25467G (Computer, System Digital)) and adjust property records if necessary. Any cost savings realized will be reapplied to other Marine Corp shortfalls.

The target completion date for confirming items selected for purchase that have lower on-hand quantities than their recorded approved acquisition objective is 30 Dec 2011.

FUNDS POTENTIALLY AVAILABLE FOR OTHER USE ASSOCIATED WITH RECOMMENDATION 4:

The Marine Corps concurs with the approximately \$4 million of USMC funds NAS identified as potentially available for other use if the Marine Corps Systems Command limits the purchase of Materiel Control Number A25467 (ruggedized laptop computer) to the difference between the current on-hand inventory and the approved acquisition objective, and uses the resulting savings to purchase items that have lower on-hand quantities than their recorded approved acquisition objective. Savings will be indentified throughout fiscal year 2012. The Marine Corps will provide interim status updates by 30 Dec 2011, 30 June 2012, and 30 Dec 2012 on savings identified and funds put to other use.

RECOMMENDATION 5: Direct Marine Corps Logistics Command to report monthly Principle End Item excesses (defined as quantities on-hand above the approved acquisition objective by Marine Expeditionary Force) to Headquarters Marine Corps, Installations and Logistics.

USMC RESPONSE: Concur. The USMC responses to recommendations 2 and 3 pertain. By March 2012, Headquarters U.S. Marine Corps will publish the Marine Corps Enterprise Ground Equipment Inventory Management policy. That policy will assign the Commanding General, Marine Corps Logistics Command (MCLC) as the Marine Corps Ground Equipment Principal End Item (PEI) Asset Manager, responsible for reporting monthly PEI excesses (defined as quantities on-hand above the approved acquisition objective by Marine Expeditionary Force) to Headquarters Marine Corps, Installations and Logistics.

The target completion date for implementation of recommendation 5 is 30 March 2012. The Marine Corps will provide an interim status update by 30 Dec 2011 on corrective actions taken to ensure Marine Corps Logistics Command reports monthly PEI excesses to Headquarters Marine Corps, Installations and Logistics.

RECOMMENDATION 6: Require Headquarters Marine Corps, Installations and Logistics to review the monthly reports discussed in Recommendation 5 and take the necessary corrective actions to ensure approved acquisition objectives are not exceeded.

USMC RESPONSE: Concur. The USMC responses to recommendations 2, 3 and 5 pertain.

By March 2012, Headquarters U.S. Marine Corps will publish the Marine Corps Enterprise Ground Equipment Inventory Management policy. This policy will assign the Deputy Commandant for Installations and Logistics (DC I&L) as the Marine Corps Enterprise Ground Equipment Inventory Manager, and will designate DC, I&L as responsible for reviewing the monthly reports discussed in Recommendation 5 and taking the necessary corrective actions to ensure approved acquisition objectives are not exceeded.

The target completion date for implementation of recommendation 6 is 30 March 2012. The Marine Corps will provide an interim status update by 30 Dec 2011 on corrective actions taken to implement recommendation 6.

RECOMMENDATION 7: Direct Marine Corps Combat Development Command to reemphasize the importance of processing change requests in a timely manner to their personnel and develop a plan for addressing those change requests that have been in a pending status in excess of 30 days.

USMC RESPONSE: Concur. Headquarters Marine Corps, Installations and Logistics will coordinate with Marine Corps Combat Development Command (MCCDC) to reemphasize the importance of processing change requests in a timely manner and will develop a plan for addressing those change requests that have been in a pending status in excess of 30 days.

Coordination and planning are ongoing; the target completion date for development of a plan to address change requests that have been in a pending status in excess of 30 days is 30 Dec 2011.

RECOMMENDATION 8: Require a periodic report from Marine Corps Combat Development Command be prepared for Headquarters Marine Corps, Installations and Logistics (with an aging schedule for Table of Organization and Equipment Change Requests in process) for all change requests related to ground equipment over 30 days in process.

USMC RESPONSE: Concur. Headquarters Marine Corps, Installations and Logistics will develop a monthly reporting requirement and direct Marine Corps Combat Development Command (MCCDC) to comment/justify aged equipment Table of Organization and Equipment Change Requests for all change requests related to ground equipment over 30 days in process.

The target completion date for corrective actions in response to recommendation 8 is 30 Dec 11.

RECOMMENDATION 9: Require Headquarters Marine Corps, Installations and Logistics to review the monthly reports discussed in Recommendation 8, and take the necessary corrective actions to ensure Table of Organization and Equipment Change Requests related to ground equipment are completed or deleted after a timeframe the Commandant of the Marine Corps deems reasonable.

USMC RESPONSE: Concur. Headquarters Marine Corps, Installations and Logistics will review the monthly reports discussed in Recommendation 8, and take the necessary corrective actions to ensure Table of Organization and Equipment Change Requests related to ground equipment are completed or deleted after a reasonable timeframe.

The target completion date for corrective actions in response to recommendation 9 is 30 Dec 11.

ADDITIONAL TECHNICAL COMMENTS: None.

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